

**BA-PHALABORWA MUNICIPALITY****ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE**

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**14. LEASES****Lease Classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**14. 1 The Municipality as Lessee****Finance leases**

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

**Operating leases**

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

**14. LEASES (continued)****14. 1 The Municipality as Lessee (continued)**

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**14. 2 The Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

**BA-PHALABORWA MUNICIPALITY****ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE****14. 3 Determining whether an arrangement contains a lease**

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

**5. BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

**16 VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

**7. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**18. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**BA-PHALABORWA MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE**

**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 35 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**21. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**22. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**23. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**24. COMPARATIVE INFORMATION**

**24. 1 Current year comparatives:**

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

**24. 2 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**BA-PHALABORWA MUNICIPALITY****ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE****26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**27. CAPITAL COMMITMENTS**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

2011  
R

2010  
R

**1. GENERAL INFORMATION**

Ba-Phalaborwa Municipality (the municipality) is a local government institution in the Mopani District, Limpopo. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

**2 INVENTORY**

Consumable Stores - at cost	6,549,340	5,839,352
<b>Total Inventory</b>	<b>6,549,340</b>	<b>5,839,352</b>

Inventory has been restated. Refer to Note 35.2 on "Correction of Error" for details of the

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

**3 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances	Provision for Impairment	Net Balances
<b>As at 30 June 2011</b>			
Service Debtors:	121,625,032	92,416,304	29,208,727
District Municipality	-	-	-
VAT Receivable	9,114,839	-	9,114,839
<b>Total Consumer Debtors</b>	<b>130,739,870.46</b>	<b>92,416,304.36</b>	<b>38,323,566.10</b>

	Gross Balances	Provision for Impairment	Net Balances
<b>As at 30 June 2010</b>			
Service Debtors:	134,057,356	75,448,002	58,609,354
District Municipality	66,316,520	-	66,316,520
VAT Receivable	7,378,447	-	7,378,447
<b>Total Consumer Debtors</b>	<b>207,752,323</b>	<b>75,448,002</b>	<b>132,304,320</b>

**3.1 Ageing of Consumer Debtors**

**As at 30 June 2011**

	Past Due:					Total
	Current: 0 - 30 days	31 - 60 Days	61 - 90 Days	91 - 120 Days	+ 120 Days	
Service Debtors	5,701,178	6,887,756	6,786,613	4,979,024	97,270,459	121,625,032
Less Provision for Impairment	2,311	4,117	6,139	11,933	92,391,803	92,416,304
<b>Total</b>	<b>5,698,867</b>	<b>6,883,639</b>	<b>6,780,474</b>	<b>4,967,091</b>	<b>4,878,656</b>	<b>29,208,727</b>
VAT Receivable	-	-	-	-	-	-
Less Provision for Impairment	-	-	-	-	-	-
<b>Total</b>	<b>5,698,867</b>	<b>6,883,639</b>	<b>6,780,474</b>	<b>4,967,091</b>	<b>4,878,656</b>	<b>29,208,727</b>

**As at 30 June 2010**

	Past Due:					Total
	Current: 0 - 30 days	31 - 60 Days	61 - 90 Days	91 - 120 Days	+ 120 Days	
Service Debtors	40,167	4,424,934	4,529,025	1,781,977	123,281,256	134,057,359
Less Provision for Impairment	-	2,049	3,489	13,345	75,429,120	75,448,002
<b>Total</b>	<b>40,167</b>	<b>4,422,885</b>	<b>4,525,536</b>	<b>1,768,633</b>	<b>47,852,136</b>	<b>58,609,357</b>
VAT Receivable	7,027,874	-	-	-	-	7,027,874
Less Provision for Impairment	-	-	-	-	-	-
<b>Total</b>	<b>7,027,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,027,874</b>
<b>Total</b>	<b>7,068,040</b>	<b>4,422,885</b>	<b>4,525,536</b>	<b>1,768,633</b>	<b>47,852,136</b>	<b>65,637,230</b>

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

			2011 R	2010 R
<b>3.2 Summary of Debtors by Customer Classification</b>				
	Household	Industrial/ Commercial	National and Provincial Government	Total
	R	R	R	R
<b>As at 30 June 2011</b>				
<i>Current:</i>				
0 - 30 days	4,764,136	530,471	406,571	5,701,178
<i>Past Due:</i>				
31 - 60 Days	5,718,179	947,706	221,871	6,887,756
61 - 90 Days	4,738,395	1,840,342	207,877	6,786,613
+ 90 Days	4,061,798	740,621	176,605	4,979,024
+ 120 Days	94,201,931	3,853,570	(785,042)	97,270,459
Sub-total	113,484,439	7,912,710	227,883	121,625,032
Less: Provision for Impairment	84,017,143	8,399,161	-	92,416,304
<b>Total Debtors by Customer Classification</b>	<b>29,467,296</b>	<b>(486,452)</b>	<b>227,883</b>	<b>29,208,727</b>

**As at 30 June 2010**

<i>Current:</i>				
0 - 30 days	-	40,167	-	40,167
<i>Past Due:</i>				
31 - 60 Days	3,160,005	1,087,640	177,289	4,424,934
61 - 90 Days	3,192,851	708,255	627,919	4,529,025
+ 90 Days	858,554	698,858	224,564	1,781,977
+ 120 Days	114,303,446	6,800,300	2,177,511	123,281,256
Sub-total	121,514,857	9,335,220	3,207,282	134,057,359
Less: Provision for Impairment	71,537,233	3,910,770	-	75,448,002
<b>Total Debtors by Customer Classification</b>	<b>49,977,625</b>	<b>5,424,450</b>	<b>3,207,282</b>	<b>58,609,357</b>

2011  
R

2010  
R

**3.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	75,448,002	64,846,062
Impairment Losses recognised	16,968,302	10,601,940
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>92,416,304</b>	<b>75,448,002</b>

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type.

Included in the Provision for Impairment are individually impaired Consumer Debtors with a balance of R6,952,157.96 (2010: R7,279,447.37). The impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value to be No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

In determining the recoverability of a Rates Assessment Debtor and aother receivables from non-exchange transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No financial assets have been pledged as security for the borrowings.

VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

	2011 R	2010 R
<b>3.5 Derecognition of Financial Assets</b>		
During the year the municipality no Financial assets have been transferred to other parties.		
<b>4 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<b>2011 R</b>	<b>2010 R</b>
Sundry Debtors	71,554	789,108
	71,554	789,108
Less: Provision for Impairment	(71,554)	-
<b>Total Other Debtors</b>	<b>-</b>	<b>789,108</b>
The total amount of the Provision for Impairment created is R71,5540 (2010: R0) and the following loans and receivables are included therein:		
	<b>2011 R</b>	<b>2010 R</b>
Sundry Debtors	71,554	-
<b>Total Provision for Impairment on trade and other receivables from non-exchange transactions</b>	<b>71,554</b>	<b>-</b>
<b>5 CASH AND CASH EQUIVALENTS</b>	<b>2011 R</b>	<b>2010 R</b>
Cash and Cash Equivalents	6,444,392	3,376,720
Bank Overdraft	-	(3,785,989)
<b>Total Cash and Cash Equivalents</b>	<b>6,444,392</b>	<b>(409,269)</b>
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.		
<b>5.1 Current Investment Deposits</b>	<b>2011 R</b>	<b>2010 R</b>
Call Deposits	3,522,074	
Notice Deposits	88,000	43,429
<b>Total Current Investment Deposits</b>	<b>3,610,074</b>	<b>43,429</b>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4 % to 9 % per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 4 % to 9 % per annum.		
Deposits of R 3 610 074 (2009: R 43 429) are ring-fenced and attributable to Unspent Conditional Grants.		
The Municipality has the following bank accounts:		
<b>5.2 Bank Accounts</b>		
<b>Primary Bank Account</b>		
Cash in Bank	2,832,195	3,333,291
Bank Overdraft	-	(3,785,989)
<b>Total Bank Accounts</b>	<b>2,832,195</b>	<b>(452,698)</b>
The Municipality has the following bank accounts:		
Standard Bank Limited - Phalaborwa Branch: Account No.: 330451367		
Cash book balance at beginning of year	(452,698)	8,875,834
Cash book balance at end of year	2,832,195	(452,698)
Bank statement balance at beginning of year	562,057	8,875,834
Bank statement balance at end of year	2,607,236	562,057
Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.		

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

	2011 R	2010 R
<b>5.3 Cash and Cash equivalents</b>	<b>2011 R</b>	<b>2010 R</b>
Other Cash Equivalents	2,123	-
Cash on hand in Cash Floats, Advances and Equivalents	<u>2,123</u>	<u>-</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.



**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

**6 PROPERTY, PLANT AND EQUIPMENT**

30 June 2011

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2010	548,746,642	240,358,559	-	-	18,272,074	-	-	807,377,278
Cost	-	-	-	-	27,864,935	-	-	27,864,935
- Completed Assets	-	-	-	-	27,864,935	-	-	27,864,935
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	569,355,719	242,081,335	-	-	-	-	-	811,437,054
Accumulated Impairment Losses	-	-	-	-	(9,592,860)	-	-	(31,924,713)
Accumulated Depreciation:	(20,609,077)	(1,722,776)	-	-	(9,592,860)	-	-	(9,592,860)
- Cost	(20,609,077)	(1,722,776)	-	-	(9,592,860)	-	-	(22,331,853)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	552,333	-	-	552,333
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	9,158,149	-	-	-	-	-	9,158,149
- Cost	-	9,158,149	-	-	-	-	-	9,158,149
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(10,304,538)	(15,954,332)	-	-	(5,415,488)	-	-	(31,674,358)
- Based on Cost	-	-	-	-	(5,415,488)	-	-	(5,415,488)
- Based on Revaluation	(10,304,538)	(15,954,332)	-	-	-	-	-	(26,258,870)
Carrying value of Disposals:	-	-	-	-	2,078,166	-	-	2,078,166
- Cost	-	-	-	-	4,785,572	-	-	4,785,572
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	(2,707,406)	-	-	(2,707,406)
- Based on Cost	-	-	-	-	(2,707,406)	-	-	(2,707,406)
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	(65,024)	-	-	(65,024)
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2011	538,442,104	233,562,377	-	-	11,265,729	-	-	783,270,210
Cost	-	9,158,149	-	-	28,417,268	-	-	37,575,417
- Completed Assets	-	-	-	-	28,417,268	-	-	28,417,268
- Under Construction	-	9,158,149	-	-	-	-	-	9,158,149
Revaluation	569,355,719	242,081,335	-	-	(65,024)	-	-	811,437,054
Accumulated Impairment Losses	-	-	-	-	(17,086,515)	-	-	(65,024)
Accumulated Depreciation:	(30,913,615)	(17,677,108)	-	-	(16,008,348)	-	-	(65,677,237)
- Cost	-	-	-	-	(16,008,348)	-	-	(16,008,348)
- Revaluation	(30,913,615)	(17,677,108)	-	-	(2,078,166)	-	-	(50,668,889)
		( 23,177.88)			2,095,834.07		( 2,131,827.54)	( 59,171.35)

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2010

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2009	559,051,181	14,825,797	-	-	18,345,711	-	-	592,222,688
Cost	569,355,719	15,887,185	-	-	23,029,834	-	-	608,072,739
- Completed Assets	569,355,719	15,887,185	-	-	23,029,834	-	-	608,072,739
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(10,304,538)	(861,388)	-	-	(4,684,124)	-	-	(15,850,050)
- Cost	-	-	-	-	-	-	-	-
- Revaluation	(10,304,538)	(861,388)	-	-	(4,684,124)	-	-	(15,850,050)
Acquisitions	-	-	-	-	4,835,100	-	-	4,835,100
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	226,394,150	-	-	-	-	-	226,394,150
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(10,304,538)	(861,388)	-	-	(4,908,737)	-	-	(16,074,663)
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	(10,304,538)	(861,388)	-	-	(4,908,737)	-	-	(16,074,663)
Carrying value of Disposals:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2010	548,746,642	240,358,559	-	-	18,272,074	-	-	807,377,276
Cost	569,355,719	15,887,185	-	-	27,864,935	-	-	612,907,839
- Completed Assets	569,355,719	15,887,185	-	-	27,864,935	-	-	612,907,839
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	226,394,150	-	-	-	-	-	226,394,150
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(20,609,077)	(1,722,776)	-	-	(9,592,860)	-	-	(31,924,713)
- Cost	-	-	-	-	-	-	-	-
- Revaluation	(20,609,077)	(1,722,776)	-	-	(9,592,860)	-	-	(31,924,713)

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

Electrical infrastructure assets were valued as at 30 June 2011 using the depreciated replacement cost approach.

The leased property, plant and equipment is secured as set out in Note 6.1

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

	2011 R	2010 R
<b>6 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>6.1 Assets pledged as security:</b>		
The municipality's obligations under Finance Leases (see Note 15) are secured by the lessors' title to the leased assets, which have a carrying amount of R2131 828		
<b>6.2 Impairment of Property, Plant and Equipment:</b>		
Impairment of Property, Plant and Equipment was taken into consideration by the consultants, Bonani Chartered Accountants, during the process of identifying Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.		
The total amount of R65 024 (2010: R0) disclosed for impairment losses on Property, Plant and Equipment includes an individual material amount of impairment losses applicable to a Water Services Department building damaged when a fire broke out. Cumulative impairment losses for the following significant account balances are included therein:		
Other Assets: Furniture and Fittings	38,012	-
Other Assets: Office Equipment	2,961	-
Other Assets: Plant and Equipment	24,051	-
<b>Total Impairment of Property, Plant and Equipment</b>	<b>65,024</b>	<b>-</b>
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
<b>6.3 Revaluation Surplus:</b>		
The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.		
The Revaluation Surplus is reconciled as follows:		
Balance at beginning of year	699,404,553	699,404,553
Surplus / (Deficit) realised from Revaluation	-	-
Depreciation offset to Income Statement	-	-
<b>Balance at end of year</b>	<b>699,404,553</b>	<b>699,404,553</b>

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

	2011 R	2010 R
<b>7 BIOLOGICAL ASSETS</b>		
The Municipalities Biological assets consist of Plants kept in the Municipal Nursery.		
The movement in Biological Assets is reconciled as follows:		
	<b>Nursery Plants</b>	<b>Total</b>
<b>Carrying values at 01 July 2010</b>	<b>132,414</b>	<b>132,414</b>
Cost / Fair Value	132,414	132,414
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Gains from Changes in Fair Value	186,195	186,195
Depreciation during the Year	-	-
Impairment Losses during the Year	-	-
<b>Carrying values at 30 June 2011</b>	<b>318,609</b>	<b>318,609</b>
Cost	318,609	318,609
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-
	<b>Nursery Plants</b>	<b>Total</b>
<b>Carrying values at 01 July 2009</b>	<b>132,414</b>	<b>132,414</b>
Cost / Fair Value	132,414	132,414
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Gains from Changes in Fair Value	-	-
<b>Carrying values at 30 June 2010</b>	<b>132,414</b>	<b>132,414</b>
Cost	132,414	132,414
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-

At 30 June 2011 nursery plants comprised approximately 9325 Flowers, trees and plants(2010: 5,361 hectares), which range from young plants to plants that are 8 years old. During the year the Municipality planted certain plant in the community for beautification.

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

**Ba-Phalaborwa Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

2011  
R

2010  
R

2011  
R

2010  
R

**7.1 Biological Assets carried at Fair Value:**

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent nursery. The valuation is arrived at by reference to market evidence of transaction prices for similar assets.

**7.2 Non-financial Information:**

Quantities of each Biological Asset:

Trees in Plantation	-	5,361
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**8 LONG-TERM RECEIVABLES**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2011</b>			
Debtors Capitalised Arrear Services	31,679,904	-	31,679,904
	<u>31,679,904</u>	<u>-</u>	<u>31,679,904</u>
<b>Total Long-term Receivables</b>			<u><b>31,679,904</b></u>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2010</b>			
Debtors Capitalised Arrear Services	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Long-term Receivables</b>			<u><b>-</b></u>

**DEBTORS CAPITALISED ARREAR SERVICES**

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

**9 CONSUMER DEPOSITS**

Electricity	1,011,638	973,090
<b>Total Consumer Deposits</b>	<u><b>1,011,638</b></u>	<u><b>973,090</b></u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u>-</u>	<u>-</u>

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.